

Targeted Urban Area Exemption

2021 JLARC TAX PREFERENCE REVIEW

Estimated 2019-21 beneficiary savings: \$0

Property Tax

Note: The preliminary report was published in January 2021. The Legislature amended chapter 84.25 RCW during the 2021 session in response to the Legislative Auditor's recommendation. The Legislative Auditor's recommendation has been updated to reflect statutory changes.

Findings from JLARC's January 2021 preliminary tax preference review:

Cities may be ineligible to offer the preference.

Legislative action is needed if the Legislature wants to ensure the preference is available.

To date, local property tax exemption has not achieved objective to encourage new industrial development and create jobs

The 2015 Legislature authorized a 10-year local property tax exemption for new industrial development in targeted areas. The preferences **close to new participants on December 31, 2022.**

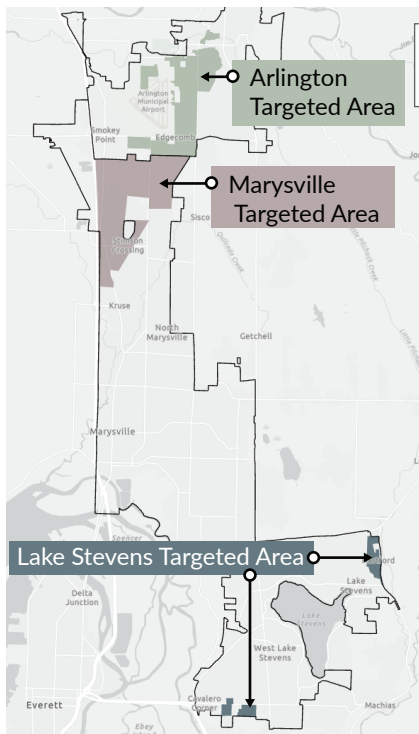
The legislation authorizing the preference limits its availability to cities that:

Are located in a county with a population between 700,000 and 800,000.

Have a population of at least 18,000.

Are located north or east of the largest city in the county.

Statute requires new developments meet size, minimum investment, and job creation conditions.



In 2015, the Snohomish County cities of **Arlington**, **Marysville**, and **Lake Stevens** met these criteria. The cities enacted ordinances providing the exemption by 2016.

No businesses applied to use the preference before 2018, when Snohomish County's population exceeded 800,000

The Department of Revenue (DOR) determined that **Arlington**, **Marysville**, and **Lake Stevens** have been ineligible to offer the preference since 2018. DOR also determined no city currently qualifies to offer the preference.

DOR and cities disagree about eligibility to offer preference

Although DOR states no cities are eligible to offer the preference, all three cities' codes allow the preference.

The cities reported to JLARC staff that they interpret the statute to allow them to offer the preference through December 31, 2022, regardless of population changes.

UPDATED: LEGISLATIVE AUDITOR'S RECOMMENDATION

Continue and review at a later date.

The Legislature acted in response to the Legislative Auditor's January 2021 recommendation by amending the preference population criteria and extending the expiration date to December 31, 2030.

The Citizen Commission should schedule the preference for review in 2028, to determine if the preference has achieved the goals of encouraging new development on undeveloped or underdeveloped land in targeted urban areas and increasing family living wage jobs.

The complete report is on the JLARC web site: www.leg.wa.gov/jlarc

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